



COMMONWEALTH AUTOMOBILE REINSURERS

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RALPH A. IANNACO
PRESIDENT

- MEMORANDUM -

TO: All Recipients of the CAR Operational Reports

FROM: Lisa Traynham

DATE: March 24, 2011

RE: Operational Reports

The 4th quarter 2010 Operational Reports follow this memorandum. This report includes data reported November 16, 2010 through February 15, 2011 for the accounting month period of October 2010 through December 2010. Please note that a number of small modifications have been incorporated into the reports, including some heading changes, moving reports into different sections, and the addition of a new report. If you have any comments or suggestions to improve the usefulness of these reports, please contact me.

Section I – Accounting/Statistical Shipments:

CAR reported in Accounting and Statistical No. 537 revisions to the Massachusetts Private Passenger and Commercial Statistical Plan promulgated by the Division of Insurance on February 23, 2011. These modifications eliminate the need to update error code references upon the addition or deletion of new/obsolete statistical edits and all references to specific statistical and verification errors have been removed from the Statistical Data Quality Program. Revisions were approved for policies effective January 1, 2011 and subsequent. A new field named Original Cost New Code has been added to the physical damage premium and loss record layout for commercial policies effective January 1, 2012 and subsequent.

CAR assessed a total of \$35,750 in the Statistical Data Quality Penalty Program in the 4th Quarter 2010 Settlement of Balances report.

Section II – Cession/MAIP Placement Record Reporting:

This section has been renamed and will include a new report – MAIP Placement Record Reporting Analysis, which highlights valid and invalid activity related to MAIP Placement Record reporting. CAR solicits responses from companies with excessive error counts and these responses are also included in this section.

CAR mailed the CA5010 - Flat Cancellation report on January 22, 2011 and the documentation is due back at CAR on April 24, 2011. Results to these findings will be posted within the next Operational Report.

OPERATIONAL REPORTS 4TH QUARTER 2010

Section III – Residual Market Information:

This section has also been renamed and now includes various status reports related to residual market commercial and private passenger markets share, participation ratios, and quota share.

As of December 2010 the commercial residual market rate equaled 15.1.

CAR posted the December 31, 2010 Quarterly Member Participation Reports to its website on March 4, 2011.

CAR ran the 4th Quarter 2010 Rule 29 credit edit download reports in March, 2011.

Section IV – Accounting System Processing:

CAR produced 4th Quarter 2010 Critical Error Loss Write-Offs and 10% Loss of Investment Fees totaling \$4,894 and \$317 respectively.

Relative to the Audit Review, CAR lists the "Audit Review" actual and potential penalties against 2009 and 2010 policy effective years following the monthly accounting shipments due the 15th of every month for all companies remaining over the tolerance level of 1% and 10 policies in error.

The Penalty Forecasting exhibits were posted to CAR's website on March 14, 2011.

Section V - Statistical Agent Functions:

As announced in Accounting & Statistical Notice No. 508, the Statistical Data Quality Penalty Program outlined in both the Private Passenger and Commercial Statistical Plans was revised to assure that complete and accurate statistical data is reported to CAR. Accordingly, the Annual Statement program has been expanded to monitor the receipt of Statutory Page 14s for Massachusetts on a quarterly basis including any corresponding out-of-balance explanations.

Third Quarter 2010 Statutory Page 14 data was due back at CAR on December 15, 2010. Penalties amounted to \$9,000 for companies submitting late/missing data after the due date. The Reconciliation Responses for Third Quarter 2010 were due back on February 3, 2011 and penalties for those late responses amounted to \$2,700. These penalties were included in the Fourth Quarter Settlement of Balances. CAR is currently collecting final Fourth Quarter Statutory Page 14 data due on March 15, 2011. The Reconciliation Reporting for Fourth Quarter will be processed approximately April 1, 2011.

All companies that exceed the commercial rate edit tolerances are listed on pages 25-26.

Section VI – Communications:

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

**OPERATIONAL REPORTS
4TH QUARTER 2010**

I. STATISTICAL SYSTEM

A. Reporting of Company Shipments

The monthly submission of statistical data is due at CAR according to the Call Schedule contained in the table below. The timeliness exhibit on the following page reflects the timeliness status of all companies for 2010 as of the fourth quarter. That is, it reflects those companies whose submissions were not complete by the due date indicated below.

2010 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2010	March 15, 2010	1 st Qtr
February 2010	April 15, 2010	
March 2010	May 17, 2010	
April 2010	June 15, 2010	2 nd Qtr
May 2010	July 15, 2010	
June 2010	August 16, 2010	
July 2010	September 15, 2010	3 rd Qtr
August 2010	October 15, 2010	
September 2010	November 15, 2010	
October 2010	December 15, 2010	4 th Qtr
November 2010	January 15, 2011	
December 2010	February 15, 2011	

2011 CALL SCHEDULE		
Submission	Due Date	Quarter
January 2011	March 15, 2011	1 st Qtr
February 2011	April 15, 2011	
March 2011	May 16, 2011	
April 2011	June 15, 2011	2 nd Qtr
May 2011	July 15, 2011	
June 2011	August 15, 2011	
July 2011	September 15, 2011	3 rd Qtr
August 2011	October 17, 2011	
September 2011	November 15, 2011	
October 2011	December 15, 2011	4 th Qtr
November 2011	January 16, 2012	
December 2011	February 15, 2012	

In instances where a company's ceded loss dollars are complete by quarter's end but its ceded premium dollars are not, CAR will assess "loss of investment income" penalties to reimburse the pool for the missing premium dollars. CAR did not assess any "loss of investment income" penalties in fourth quarter, 2010.

**OPERATIONAL REPORTS
4TH QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

2010 Timeliness Report

<i>CO NO</i>	<i>Jan 3/15</i>	<i>Feb 4/15</i>	<i>Mar 5/17</i>	<i>Apr 6/15</i>	<i>May 7/15</i>	<i>Jun 8/16</i>	<i>July 9/15</i>	<i>Aug 10/15</i>	<i>Sep 11/15</i>	<i>Oct 12/15</i>	<i>Nov 1/18</i>	<i>Dec 2/15</i>
045							PP					
089	COM								COM		COM	COM
091	COM	COM							COM		COM	COM
103				COM								
153					PP	PP						
154									COM			
155		COM						COM	COM	COM		
283				COM								
309				PP								
312	PP											
325	COM			COM								
362											BOTH	
366												COM
399				COM								
424							COM					
486			COM									
559	COM								COM	COM	COM	COM
585				PP								
612				PP								
620			COM									
622									COM			
627				COM								
737						PP	PP	PP	PP	PP	PP	PP
752							COM	COM				
753									COM			
785						PP				PP	PP	PP
828				PP								
837			COM									
941										COM	COM	COM
948							COM					
963	BOTH	BOTH	COM	BOTH								
971	COM	COM	COM	COM	COM	COM						

**OPERATIONAL REPORTS
4TH QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program

CAR assesses various statistical penalties as outlined in the Data Quality Penalty Section of the Private Passenger and Commercial Statistical Plans. These penalties include items such as incomplete monthly submissions, late submission of page 15 data, reconciliation responses, and failure to reduce a statistical shipment's error percent to below 5%.

For 4th Quarter 2010, CAR assessed a total penalty amount of \$35,750. The table below shows the detail penalties for each company.

Penalty Assessments
4th Quarter 2010

<u>Co #</u>	<u>Company Name</u>	<u>Assessment</u>	<u>Assessment Amount</u>
045	American Automobile Ins Co	Stat Error > 5% - 10/2010	\$ 150
089	American Guarantee and Liability	Late MAS - 09/2010	\$ 500
089	American Guarantee and Liability	Late MAS - 11/2010	\$ 500
091	American Zurich Insurance Co	Late MAS - 09/2010	\$ 500
091	American Zurich Insurance Co	Late MAS - 11/2010	\$ 500
152	Arbella Protection Ins Co - Taxi	Late Explanation - 09/2010	\$ 900
153	Arbella Mutual Insurance Co	Stat Error > 5% - 08/2010	\$ 150
153	Arbella Mutual Insurance Co	Stat Error > 5% - 09/2010	\$ 150
154	Arbella Protection Insurance Co	Late MAS - 09/2010	\$ 500
155	Argonaut Insurance Company	Stat Error > 5% - 07/2010	\$ 450
155	Argonaut Insurance Company	Late MAS - 09/2010	\$ 500
155	Argonaut Insurance Company	Late MAS - 10/2010	\$ 500
226	Great Divide Insurance Company	Late Explanation - 09/2010	\$ 900
229	Clarendon National Ins Co	Stat Error > 5% - 06/2010	\$ 1,200
229	Clarendon National Ins Co	Stat Error > 5% - 07/2010	\$ 150
229	Clarendon National Ins Co	Stat Error > 5% - 08/2010	\$ 600
230	Preatorian Insurance Company	Stat Error > 5% - 03/2010	\$ 2,500
230	Preatorian Insurance Company	Stat Error > 5% - 06/2010	\$ 600
230	Preatorian Insurance Company	Stat Error > 5% - 07/2010	\$ 1,200
262	Citizens Insurance Co of America	Stat Error > 5% - 09/2010	\$ 300
269	21st Century Centennial Ins Co	Late Page 14 - 09/2010	\$ 4,500
362	Farm Family Casualty Ins Co	Late MAS - 11/2010	\$ 1,250
347	Selective Insurance Co of SC	Stat Error > 5% - 09/2010	\$ 150
559	Maryland Casualty Company	Stat Error > 5% - 08/2010	\$ 150
559	Maryland Casualty Company	Late MAS - 09/2010	\$ 500
559	Maryland Casualty Company	Late MAS - 10/2010	\$ 1,250
559	Maryland Casualty Company	Late MAS - 11/2010	\$ 500

**OPERATIONAL REPORTS
4TH QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

B. Statistical Plan Penalty Fee Program (continued)

Penalty Assessments
4th Quarter 2010

Co #	Company Name	Assessment	Assessment Amount
620	Nat'l Independent Truckers Ins	Stat Error > 5% - 03/2010	\$ 750
620	Nat'l Independent Truckers Ins	Stat Error >5% - 6/2010	\$ 600
620	Nat'l Independent Truckers Ins	Stat Error > 5% - 09/2010	\$ 150
622	National Interstate Insurance Co	Late MAS - 09/2010	\$ 500
714	CastlePoint National Ins Co	Late Page 14 - 09/2010	\$ 4,500
748	QBE Insurance Corporation	Late Explanation - 09/2010	\$ 900
752	Republic Franklin Insurance Co	Stat Error > 5% - 07/2010	\$ 150
753	Redland Insurance Company	Late MAS - 09/2010	\$ 500
756	RLI Insurance Company	Stat Error > 5% - 09/2010	\$ 150
837	THE Insurance Company	Stat Error > 5% - 06/2010	\$ 1,200
837	THE Insurance Company	Stat Error > 5% - 09/2010	\$ 600
927	US Fire Insurance Company	Stat Error > 5% - 09/2010	\$ 150
941	Universal Underwriters	Late MAS - 10/2010	\$ 1,250
950	XL Insurance America	Stat Error > 5% - 10/2010	\$ 150
951	Vanliner Insurance Company	Stat Error > 5% - 10/2010	\$ 600
971	Zurich American Insurance Co	Stat Error > 5% - 06/2010	\$ 600
971	Zurich American Insurance Co	Stat Error > 5% - 08/2010	\$ 150
971	Zurich American Insurance Co	Stat Error > 5% - 09/2010	\$ 150
971	Zurich American Insurance Co	Late MAS - 09/2010	\$ 500
971	Zurich American Insurance Co	Late MAS - 10/2010	\$ 500
971	Zurich American Insurance Co	Late MAS - 11/2010	\$ 500
989	Foremost Insurance Company	Stat Error > 5% - 09/2010	\$ 150
		Total	\$ 35,750

**OPERATIONAL REPORTS
4TH QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

Massachusetts Private Passenger Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011	<p>The following modification has been made to Part VII – Statistical Data Quality Program:</p> <p>To eliminate the need to update error code references upon the addition or deletion of new/obsolete statistical edits, all references to specific statistical and verification errors have been removed from the Statistical Data Quality Program. Companies are referred to CAR’s Statistical Edit Package for a description of all statistical and verification errors.</p>	Approved by the Division of Insurance on February 23, 2011

**OPERATIONAL REPORTS
4TH QUARTER 2010**

I. STATISTICAL SYSTEM (continued)

Massachusetts Commercial Statistical Plan

Approved Modifications

Approved Effective Date	Description	Status
January 1, 2011	<p>The following modifications have been made to Part VII – Statistical Data Quality Program:</p> <p>To eliminate the need to update error code references upon the addition or deletion of new/obsolete statistical edits, all references to specific statistical and verification errors have been removed from the Statistical Data Quality Program. Companies are referred to CAR’s Statistical Edit Package for a description of all statistical and verification errors.</p> <p>Several of the penalty amount values contained in the Statistical Data Quality Program were not updated when previously filed with the Division of Insurance in November 2009. All penalty amount values are now consistent within this section of the Plan.</p>	<p>Approved by the Division of Insurance on February 23, 2011</p>

Approved Effective Date	Description	Status
<p>January 1, 2012 (Optional for policies effective July 1, 2011 – December 31, 2011)</p>	<p>To properly verify physical damage premium dollars and claims reported for vehicles coded with Symbol Code 12 (Original Cost New of \$90,001 and greater), a new field named Original Cost New Code has been added to the physical damage premium and loss record layouts in field positions 56-58. Companies are required to report a vehicle’s Original Cost New, rounded to the nearest \$1,000, in this field.</p> <p>It is mandatory to report the Original Cost New Code for policies effective January 1, 2012 and subsequent. However, this field may be optionally reported for policies with effective dates of July 1, 2011 through December 31, 2011.</p>	<p>Approved by the Division of Insurance on February 23, 2011</p>

**OPERATIONAL REPORTS
4TH QUARTER 2010**

II. CESSION/MAIP PLACEMENT RECORD REPORTING

A. Cession Submission

CAR accepts cession data via two different methods: on-line telecommunications and FTP transmission. Please contact your company's Data Analyst if you need assistance in gaining access to CAR's telecommunications system.

In 2010, CAR accepts cession records and cession corrections on commercial business for policy years 2008-2010. On private passenger business, CAR accepts cession records and cession corrections for policy dates 1/1/2008 – 3/31/2009. Beginning 4/1/2009, cessions no longer apply to private passenger business.

B. Cession Backdates

1. TX1/TX2 Cession Backdate Appeals based on Intent to Cede

In instances where a company provides documentation showing its intent to cede a specific policy, CAR maintains the authority to act upon those appeals provided the backdate request does not exceed 25 policies. Furthermore, the appeal and associated documentation must meet the criteria outlined in Chapter 2 of the Manual of Administrative Procedures. For any policy that does not meet the criteria, CAR does not have the authority to grant the appeal; the company then can present the appeal before the Operations Committee.

There have been no “intent-to-cede” appeals since the last publication of the Operational Reports.

2. TX5 Cession Backdate Appeals

In instances where a company intended to write a policy voluntary, it can appeal for a transaction 5 (uncede) backdate. CAR maintains the authority to approve these types of appeals when the documentation provided clearly shows the company made the decision to write the policy voluntary prior to the policy effective date.

The table on the following page reflects the log of cession backdate requests CAR Staff processed since the last publication of the Operational Reports on December 10, 2010.

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4TH QUARTER 2010**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

2. TX5 Cession Backdate Appeals (continued)

TX5 Cession Backdate Log

DATE SUBMITTED	CO NO	NUMBER OF CESSIONS	DATE REQUESTED	BACKDATE GRANTED?	REASON FOR APPROVAL/DISAPPROVAL
11/29/10	455	2	11/22/10	YES	Producer terminated prior to renewal

3. CR215 Cessions Automatically Backdated

On a quarterly basis, CAR produces the CR215 report that shows the volume of cessions backdated for involuntary producer business. The program monitors the three current reporting years for cession activity. Accordingly, CAR recently sent the latest report to the industry in February 2011 monitoring policy years 2008, 2009 and 2010 for 4th Quarter 2010.

Please note CAR will no longer be monitoring Private Passenger business in this system.

The following exhibits show the industry's volumes of backdated cessions. On the report itself, the column to the right of percent backdated indicates if the volume of backdated producers exceeds the tolerance level. Accordingly:

- an asterisk (*) indicates that more than 5% of the total new business cessions for the company are backdated.
- a pound symbol (#) indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error.*)

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4TH QUARTER 2010**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2008
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
279	525	1	0.2	0.0	0	0
585	55	2	3.6	0.0	0	0
612	6	1	16.7 #	0.0	0	0
723	293	0	0.0	0.0	0	0
908	205	5	2.4	0.0	4,615	0
Totals	1,084	9	0.8%	N/A	4,615	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	667	42	6.3 *	0.0	18,593	7,148
279	78	0	0.0	0.0	0	0
455	578	12	2.1	0.0	0	0
717	671	0	0.0	0.0	0	0
734	374	29	7.8 *	0.0	0	0
735	22	3	13.6 #	0.0	0	0
773	22	0	0.0	0.0	0	0
Totals	2,412	86	3.6% *	N/A	18,593	7,148

* indicates that more than 5% of the total new business cessions for the company are backdated.

indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error.*)

**OPERATIONAL REPORTS
4TH QUARTER 2010**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2009
Private Passenger

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
279	37	0	0.0	0.0	0	0
585	8	3	37.5 #	0.0	0	0
612	2	1	50.0 #	0.0	0	0
Totals	47	4	8.5%	N/A	0	0

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	571	19	3.3	0.0	2,607	0
279	34	0	0.0	0.0	0	0
455	455	11	2.4	0.0	0	0
717	260	0	0.0	0.0	0	0
734	280	20	7.1 #	0.0	0	0
735	19	2	10.5 #	0.0	0	0
773	5	0	0.0	0.0	0	0
Totals	1,624	52	3.2%	N/A	2,607	0

* indicates that more than 5% of the total new business cessions for the company are backdated.

indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

**OPERATIONAL REPORTS
4TH QUARTER 2010**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

Policy Year 2010
Private Passenger

No longer monitoring Private Passenger Business

Commercial

CO NO	POLICIES ELIGIBLE	BACKDATE D POLICIES	PERCENT BACKDATED	% CHANGE	PD LOSSES COVERED	O/S LOSSES COVERED
245	552	14	2.5	-0.4	0	0
279	29	1	3.4	-0.4	0	0
455	260	9	3.5	0.6	1,999	0
717	236	0	0.0	0.0	0	0
734	226	23	10.2 #	1.1	0	0
735	8	1	12.5 #	0.0	0	0
773	3	0	0.0	0.0	0	0
Totals	1,314	48	3.7%	N/A	1,999	0

* indicates that more than 5% of the total new business cessions for the company are backdated.

indicates more than 5% are backdated but fall within the tolerance level. (*The tolerance level is 5% and 25 policies in error*).

C. CA5010 Flat Cancellation Audit

Twice per year CAR runs the CA5010 - Flat Cancellation Documentation Listing. Its purpose is to randomly sample flat-canceled policies to verify that the industry is using flat-cancellation transactions properly. CAR ran the latest CA5010 on January 24, 2011 and the documentation is due back on April 22, 2011. Upon reviewing the documentation, CAR will post those results in the next quarter's Operational Reports.

**OPERATIONAL REPORTS
4TH QUARTER 2010**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

D. MAIP Placement Record Reporting Analysis

On a monthly basis, CAR reviews the quality of MAIP Placement Record reporting and produces a report which highlights the error counts for various types of errors. Companies with excessive error counts are contacted and requested to research the cause of its reporting problem and if appropriate provide a corrective action plan.

**COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS**
Reflects Statistically Reported Data for Policy Effective Months 01/2010 to 12/2010
Reflects MAIP Placement Record Reported Data as of February 22, 2011

Company	Missing MPRs	MPRs with Non-Fatal Errors	Rejected Take-Out Credits	MPRs with No Premium	MAIP Premium with No MPR	Active MPRs
045	3	0	0	32	10	483
153	26	77	154	218	23	12,759
202	0	0	0	0	0	131
262	0	23	416	5	21	3,800
279	15	72	26	524	10	31,673
308	0	1	0	11	0	586
312	1	21	6	66	8	961
331	0	0	0	25	5	4,322
354	6	1	0	11	57	7,353
363	0	1	0	25	2	645
514	0	0	0	4	7	3,021
531	1	0	0	9	0	248
585	1	49	0	73	51	4,497
612	0	2	0	28	2	2,877
664	1	0	0	31	101	1,198
723	1	16	3	317	14	12,010
731	2	7	139	4	14	3,415
773	2	58	0	329	14	19,952
826	0	6	0	27	2	1,439
908	3	1	0	119	2	6,945
988	0	9	0	9	0	6,126
Industry Average	3	16	35	89	16	5,926

**OPERATIONAL REPORTS
4TH QUARTER 2010**

II. CESSION/MAIP PLACEMENT RECORD REPORTING (continued)

E. MAIP Placement Record Reporting Analysis (continued)

**COMMONWEALTH AUTOMOBILE REINSURERS
MAIP PLACEMENT RECORD REPORTING ANALYSIS
COMPANY RESPONSES**

Company	Response
045	Company was recently contacted and is researching reporting issue.
153	Company was recently contacted and is researching reporting issue.
262	Company was recently contacted and is researching reporting issue.
279	Company is in the process of correcting the non-fatal errors. Transaction code 4 backdate requests have been sent for the MPRs with No Premium issue for policies effective October and November that should have been flat cancelled. The remaining December policies are a statistical reporting timing issue.
312	Company is in the process of correcting non-fatal errors. The MPRs with no Premium reporting issue is a statistical timing issue.
331	Company was recently contacted and is researching reporting issue.
354	Company splits motorcycle/auto MAIP policies. Since they can not submit two MPRs for one certification number, motorcycle policies will only be statistically reported and will not have a corresponding MPR.
363	The MPRs with no Premium reporting issue is a statistical timing issue.
585	Company was recently contacted and is researching reporting issue.
612	The MPRs with no Premium reporting issue is a statistical timing issue.
664	Company will be sending in cancellation premium for the active MAIP Premium with No MPR.
723	The MPRs with no Premium reporting issue is a statistical timing issue.
773	Company is in the process of correcting non-fatal errors. The MPRs with no Premium reporting issue is a statistical timing issue.
826	The MPRs with no Premium reporting issue is a statistical timing issue.
908	The MPRs with no Premium reporting issue is a statistical timing issue.

**OPERATIONAL REPORTS
4TH QUARTER 2010**

III. RESIDUAL MARKET INFORMATION

A. Residual Market Volumes

The private passenger and commercial residual market volume results for the past seven years are highlighted in the chart below. The residual market rate for the current year is based on statistically reported data only and does not include estimates for missing data.

Effective Year	Private Passenger Cession %	Commercial Cession %	Time Period
2004	6.7%	26.9%	Final Result
2005	6.2%	26.2%	Final Result
2006	4.9%	25.4%	Final Result
2007	4.3%	22.3%	Final Result
2008	2.9%	19.0%	Final Result
2009	2.3%	16.5%	Final Result
2010	N/A	15.1%	As of Dec. 2010

Private passenger and commercial residual market volume reports are available on CAR's website (www.commauto.com). You can also view your company's residual market volume figures via CAR's telecommunications system. The On-line Telecommunications Manual provides the specific instructions for accessing the reports.

B. Private Passenger – Massachusetts Automobile Insurance Plan (MAIP)

Policy Year 2010 Results as of December, 2010

	<u>Exposures</u>	<u>Percentage</u>
MAIP Assigned (CAR-ID 9)	111,835	2.7%
MAIP Retained (CAR-ID 8)	3,848,713	92.6%
Clean-in-Three (CAR-ID 1)	197,249	4.7%
Total	4,157,797	100%

**OPERATIONAL REPORTS
4TH QUARTER 2010**

III. RESIDUAL MARKET INFORMATION (continued)

C. Production of Quarterly Participation Reports

CAR posted the December 2010 Quarterly Member Participation Reports to its website on March 4, 2011. From CAR's home page, click Reports, sign-on and then select Settlement of Balances. These are secure reports that require a CAR website user id and password to view. Please contact your company's security administrator to request access.

D. Participation Base Data

The 4th Quarter 2010 estimated Participation Ratios using data reported through December 31, 2010 will be posted to CAR's website by March 31, 2011.

E. Rule 12 Participation Credits

CAR ran the final Rule 12 credit edit reports for the last time early May of 2010. These reports are still available on CAR's website under the Data Reporting and Quality Reports page.

F. CAR Financial Results

The ultimate policy year deficit projections, as of December 2010, for the latest three policy years are as follows:

(Numbers are in \$000s)

Policy Year	Private Passenger	Commercial
2008	(50,978)	2,679
2009	(9,775)	(4,935)
2010	N/A	(7,485)

This data can be found on CAR's website (www.commauto.com) in the Financial Reports area using the Deficit Projections link.

G. Quota Share

CAR posted the December, 2010 Monthly Quota Share and Assignment Order Report to its website on February 28, 2011. The report has been updated to include statistical data for January 2010 to December 2010 effective month policies reported through February 15, 2011. Member Companies can also view additional reports that provide detailed information about the data used in the Quota Share calculation on CAR's website in the MAIP section under Company.

**OPERATIONAL REPORTS
4TH QUARTER 2010**

III. RESIDUAL MARKET INFORMATION (continued)

H. Rule 29 Voluntary Credits

CAR ran the Rule 29 credit edit reports for December effective date data in March. These reports are available on CAR's website under the Data Reporting and Quality Reports page.

There is no tolerance level for the Rule 29 credits. If a record is incorrect, the credit is not applied. The table below shows the industry's error percent starting with the October, 2009 accounting date.

Accounting Date	Reported Credit Premium	Adjusted Credit Premium	Rule 29 Credit Impact	Error Percentage
Oct. 2009	365,712,770	363,973,739	-1,739,031	0.48%
Nov. 2009	392,727,358	390,930,787	-1,796,571	0.46%
Dec. 2009	421,452,666	419,584,786	-1,867,880	0.44%
Jan. 2010	457,982,525	456,053,273	-1,929,252	0.42%
Feb. 2010	492,413,410	490,472,355	-1,941,055	0.39%
March 2010	530,741,150	528,623,200	-2,117,950	0.40%
April 2010	518,613,145	516,527,075	-2,086,070	0.40%
May 2010	516,560,318	513,107,160	-3,453,158	0.67%
June 2010	510,469,897	506,671,089	-3,798,808	0.74%
July 2010	504,282,298	500,104,630	-4,177,668	0.83%
August 2010	498,524,056	494,149,614	-4,374,442	0.88%
Sept. 2010	492,640,139	488,275,230	-4,364,909	0.89%
Oct 2010	487,767,726	484,431,955	-3,335,771	0.68%
Nov 2010	485,195,191	481,860,909	-3,334,282	0.69%
*Dec 2010	502,637,208	493,960,401	-8,676,807	1.73%

*** There are 3 new Companies with reporting errors causing the large increase in the error percentage.**

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IV. ACCOUNTING SYSTEM

A. Update of the Online Accounting System

CAR updates the online accounting system every Thursday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Thursday evenings and viewable to the industry on Friday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the CAR accounting system.

Month	MAS Due Date	Accounting System Update	Quarter
January 2011	March 15, 2011	March 18, 2011	1st Quarter 2011
February 2011	April 15, 2011	April 20, 2011	
March 2011	May 17, 2011	May 19, 2011	
April 2011	June 15, 2011	June 17, 2011	2 nd Quarter 2011
May 2011	July 15, 2011	July 19, 2011	
June 2011	August 16, 2011	August 18, 2011	
July 2011	September 15, 2011	September 17, 2011	3 rd Quarter 2011
August 2011	October 15, 2011	October 19, 2011	
September 2011	November 15, 2011	November 16, 2011	
October 2011	December 15, 2011	December 17, 2011	4 th Quarter 2011
November 2011	January 18, 2012	January 20, 2012	
December 2011	February 15, 2012	February 16, 2012	

B. Critical Error Write-Off

To ensure that each company's cession, premium, and loss reporting is accurate and timely, CAR edits all ceded data through three edits that are deemed "critical" to sound reporting procedures. If any ceded record fails critical error code 1, 6, or 7 it lists on the critical error list. (You can find a description of these error codes in the Policy Edit Package).

For losses specifically, CAR requires every record to be fixed within one year of falling into critical error. If a loss record has not been fixed after a year of remaining in critical error, CAR writes-off that loss record and assesses an interest fee of 10%. This write-off process occurs the last Saturday of every month. The table on the following page shows the write-off amounts and associated 10% fees for fourth quarter 2010.

Lastly, CAR also provides loss data eligible for future loss write-offs. The potential loss write-offs for April 2011 through September 2011 are shown following the 4th Quarter Write-Off exhibit.

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IV. ACCOUNTING SYSTEM (continued)

B. Critical Error Write-Off (continued)

Loss Write-Off – 4th Quarter 2010

Company	Nov 2010	Dec 2010	Jan 2011	Total
209	1,970	0	0	1,970
664	0	2,924	0	2,924
Total	1,970	2,924	0	4,894

4th Quarter 2010 – 10% Loss of Investment Fees

Company	Nov 2010	Dec 2010	Jan 2011	Total
209	77	0	0	77
664	0	240	0	240
Total	77	240	0	317

Potential Loss Write-Off April 2011 through September 2011

Company	April 2011	May 2011	June 2011	July 2011	August 2011	September 2011	Grand Total
045	0	0	0	0	-468	0	-468
154	-605	560	100	459	0	-22,081	-21,567
312	0	0	0	0	0	34,574	34,574
331	29,456	2,900	31,971	133,858	5,578	-5,982	197,781
455	0	0	0	0	0	323	323
731	0	0	0	0	-1,441	115	-1,326
734	0	0	0	0	0	477	477
773	0	0	20	20	0	0	40
Totals	28,851	3,460	32,091	134,337	3,669	11,095	209,834

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IV. ACCOUNTING SYSTEM (continued)

C. Non-Critical Error "Audit Review" Program

Unlike critical errors, non-critical errors do not prevent loss coverage on a policy. However, they could cause a financial impact if the volume of non-critical errors exceeds the established tolerance levels. The tolerance level is 1% and 10 policies in error for each error code per effective year. If the volume of errors for a specific error code exceeds the tolerance level, the company has up to nine months to reduce the volume of errors before facing a penalty. Please reference the Policy Edit Package for more specific information. The exhibits below show year-to-date penalties and potential penalties.

Audit Review Penalties
2009 and 2010 Policy Effective Years Monitored

Final Non-Critical Error Penalties for Policy Year 2009 assessed 4th Quarter 2010

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
5	154	02	1.14	45	\$250

2010 Effective Year Non-Critical Errors Over Tolerance – Potential Penalty

Times Identified	Company	Error Code	Percent in Error	# Policies in Error	Penalty
9	154	02	2.34	79	\$2,250

**OPERATIONAL REPORTS
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IV. ACCOUNTING SYSTEM (continued)

D. Ceded Premium In Error – Limited Commercial Servicing Carriers

The exhibit below shows a summary of ceded premium in critical error. Companies can view their critical error policies via CAR's telecommunications system within the accounting corrections application. CAR is providing this information as a way for Limited Commercial Servicing Carriers to monitor both their ceded premium and ceded loss reporting to correct any errors prior to a write-off or close of a policy effective reporting year.

Company	Policy Effective Year	Critical Premium Dollars	Error Percent
154	2009	52,693	0.33
154	2010	68,610	0.45
154	2011	13,419	1.42
245	2009	0	0.00
245	2010	73,433	0.62
245	2011	3,955	0.26
279	2009	0	0.00
279	2010	0	0.00
279	2011	0	0.00
455	2009	0	0.00
455	2010	0	0.00
455	2011	10,701	0.82
717	2009	0	0.00
717	2010	0	0.00
717	2011	0	0.00
734	2009	0	0.00
734	2010	0	0.00
734	2011	0	0.00
735	2009	0	0.00
735	2010	1,117	0.01
735	2011	7,231	0.51
773	2009	-173	0.00
773	2010	0	0.00
773	2011	0	0.00
Total Ind		230,986	0.11

E. Penalty Forecasting Program

CAR produces the Penalty Forecasting exhibits in March, June, September, and December. The program helps companies in their correction efforts and helps Servicing Carriers track potential future penalties if corrective actions are not taken by the companies. If you do not have access to the reports, please contact your company's Security Administrator to request access.

CAR posted the 4th Quarter 2010 forecasting reports on March 14, 2011.

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IV. ACCOUNTING SYSTEM (continued)

F. \$60 Cession/No Premium Penalties

CAR ran the \$60 Cession/No Premium penalty program November 29, 2010. A cession qualifies for the penalty list when the premium amount on the policy totals to less than or equal to \$0 for five or more months. The table below shows those penalty results. The penalty assessments were assessed in the fourth quarter 2010 Settlement of Balances report.

Company Number	Penalty Amount
245	\$180
262	\$240
455	\$360
585	\$7,380
664	\$120
773	\$60
Total	\$8,340

G. 2008 Cession/No Premium Write-Off

The annual Cession/No Premium Write-Off amounts are based on a policy count (excluding flat cancelled and cession/no premium policies) divided by the corresponding full premium (rather than deviated), at 15 months. Please reference the table below for the write-off penalty amount for 2008 effective date policies and for historical information.

The 2008 write-off is scheduled for April, 2011.

Year	PP Penalty	Commercial Penalty	Taxi/Limo/CAR Service Penalty
2008	\$1,400	\$5,300	\$7,600
2007	\$1,500	\$5,700	\$8,600
2006	\$1,500	\$6,300	\$10,100
2005	\$1,600	\$6,200	\$10,800
2004	\$1,600	\$6,200	\$11,100
2003	\$1,500	\$6,500	\$9,900
2002	\$1,400	\$6,300	\$9,600
2001	\$1,300	\$5,300	\$8,800

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V. STATISTICAL AGENT FUNCTION

A. Update of the Online Statistical System

CAR loads statistical data to its permanent database files and updates the online statistical system every Wednesday night. Accordingly, all new premiums and loss activity and all correction activity are posted to the system on Wednesday evenings and viewable to the industry on Thursday mornings. This schedule deviates four times per year following the end of a quarter. The table below shows the quarter ending schedule for updates to the statistical system.

Month	MAS Due Date	Statistical System Update	Quarter
January 2010	March 15, 2010	March 16, 2010	1st Quarter 2010
February 2010	April 15, 2010	April 16, 2010	
March 2010	May 17, 2010	May 18, 2010	
April 2010	June 15, 2010	June 16, 2010	2 nd Quarter 2010
May 2010	July 15, 2010	July 16, 2010	
June 2010	August 16, 2010	August 17, 2010	
July 2010	September 15, 2010	September 16, 2010	3 rd Quarter 2010
August 2010	October 15, 2010	October 18, 2010	
September 2010	November 15, 2010	November 16, 2010	
October 2010	December 15, 2010	December 16, 2010	4 th Quarter 2010
November 2010	January 18, 2011	January 19, 2011	
December 2010	February 15, 2011	February 16, 2011	

B. Annual Statement and Annual Statement Reconciliation

CAR collects the quarterly annual statement figures from the industry according to the schedule below. Those companies that have greater than a 5% dollar difference between the data statistically reported and the financial data entered on the Page 14 must respond to this difference according to the schedule below.

Quarter	Due Date Quarterly Annual Statement	Run Date of the Reconciliation Program	Due Date Reconciliation Response
1st 2010	June 15, 2010	July 1, 2010	Approx. August 6, 2010
2nd 2010	September 15, 2010	October 1, 2010	Approx. November 5, 2010
3rd 2010	December 15, 2010	January 3, 2011	Approx. February 4, 2011
4th 2010	March 15, 2011	April 1, 2011	Approx. May 1, 2011

The Annual Statement collection of Page 14's for Third Quarter 2010 was due December 15, 2010. Penalties for late pg 14 amounted to \$9,000. Reconciliation Third Quarter 2010 responses were due February 3, 2011. Penalties amounted to \$2,700. Page 14 and Reconciliation penalties were included in the Fourth Quarter Settlement of Balances. CAR is currently collecting Fourth Quarter 2010 Annual Statement Statutory Page 14 data due at CAR on March 15, 2011. Fourth Quarter 2010 Reconciliation Reports are anticipated to run April 1, 2011.

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V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing

CAR processes ceded commercial data through a rate editing routine for the latest two policy effective years. The table below shows the industry results by line of business and policy effective year.

	Line of Business	Eligible Records	Records in Error	Error %
COMM 2010 EFF YEAR	Liability	49,121	840	1.71%
	No Fault	35,972	311	0.86%
	Physical Damage	26,363	321	1.22%
	Total	111,456	1,472	1.32%
COMM 2011 EFF YEAR	Liability	8,543	201	2.35%
	No Fault	6,722	22	0.33%
	Physical Damage	5,096	101	1.98%
	Total	20,361	324	1.59%

The Commercial Rate Edit program incorporates a tolerance level to ensure the quality of the data the industry reports to CAR. The tolerance level is 2% and 50 records in error. If a company exceeds the rate edit tolerance levels on any one line of business, CAR notifies the company via its website of the over tolerance status and the company then has six months to reduce its volume of rate edit errors. The table on the following page shows those companies that are currently over tolerance and the corresponding due dates to avoid rate edit penalties.

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V. STATISTICAL AGENT FUNCTION (continued)

C. Rate Edit Processing (continued)

Rate Edit - Over Tolerance Exhibit

Co No	PP/Comm	Policy Year	Subline	Due Date	Err %	# Records in Error
154	Comm	2010	Liability	12/15/2010	5.31%	310
154	Comm	2011	Liability	09/15/2011	6.53%	71
773	Comm	2010	Liability	03/15/2011	2.84%	161
773	Comm	2011	No Fault	03/15/2011	2.09%	106
773	Comm	2010	Phys Dam	05/15/2011	2.30%	66
773	Comm	2010	Liability	08/15/2011	5.88%	69

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V. STATISTICAL AGENT FUNCTION (continued)

D. Deleted Washout Records

During the weekly statistical load, CAR deletes those records that washout within the same file. The table below shows those companies whose volume of deleted washout records exceeds 20% and it shows the overall industry total for all companies combined. If you would like to know your own company's washout total, please contact your Data Analyst.

Periodically, CAR contacts those companies that have an excessive volume of washout activity to encourage them to reduce their volume.

Deleted Washout Totals
For All Shipments Received Through 12/2010

COMPANY NUMBER	RECORD COUNT	WASHOUT COUNT	WASHOUT PERCENT
045	206,196	51,710	25.08
099	6,262	5,310	84.80
127	1,086	256	23.57
205	19	8	42.11
261	35,492	32,998	92.97
263	1,537	738	48.02
283	12,696	6,298	49.61
343	49,426	14,480	29.30
429	199,764	60,384	30.23
460	22,076	7,902	35.79
474	20,541	13,990	68.11
486	43,249	19,554	45.21
503	8,655	3,508	40.53
626	475,877	228,482	48.01
627	15,019	9,362	62.33
643	7,081	3,088	43.61
701	5,936	5,392	90.84
734	25,714	9,254	35.99
735	307,917	129,490	42.05
737	179,337	83,220	46.40
828	301,250	95,476	31.69
902	206,187	106,358	51.58
942	6	2	33.33
958	1,535	640	41.69
962	941	550	58.45
963	247,714	79,180	35.79
Total Industry	75,002,921	4,229,244	5.64

The 2009 washout total following the 12/2009 shipments was 4.29%.

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V. STATISTICAL AGENT FUNCTION (continued)

E. Distributional Analysis

Distributional Analysis reports are produced three times a year starting with the close of the June quarter. The program was developed to ensure the quality of rate making data is appropriated with quota share data. The next mailing of the Distributional Analysis report is due to be distributed in April 2011. Please contact the Compliance Audit Department for any correspondences.

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VI. COMMUNICATIONS

A. CAR's Website

CAR regularly updates its website when there are updates to existing reports, new accounting and statistical notices, or meeting announcements among many other things. Please reference the change board on the website for the latest updates.

CAR added functionality for Security Administrators to update the activity status, update the e-mail addresses, and process changes to a user's security profile. If you need access to the reports, please contact your company's security administrator to request access.

B. Telecommunications

The telecommunications system is available to the industry from 7:00 am to 6:00 pm Monday through Friday. It allows users to access data housed on CAR's mainframe such as policy history information and producer code information.

CAR implemented changes to its MAIP Placement Record system to allow certain corrections on existing MAIP Placement records such as policy number and producer code.

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VII. PROJECT STATUS REPORTS

CAR works on a variety of projects throughout the year. The table below shows the current projects CAR is working on and their current status.

Project	Status	Description
Distributional Analysis	Completed for Internal Purposes	Automate the Distributional Analysis process and move the reports onto CAR's website.
Experience Rating	Near Completion	Move the mainframe pieces of the Experience Rating application to CAR's website so that companies don't need to toggle between systems.
PP Auto Audit Hybrid Plan	Near Completion	Development of a new method for performing the private passenger statistical audits.
Producer Management	Completed	In-house application to effectively manage producer information and licensing.
2011 Annual Statistical Update	Near Completion	Update all edit programs to accept and process 2011 effective year data.
Vehicle Rating Group Usage	Completed	Adopt the AIB's Vehicle Rating Group to replace symbol reporting on Private Passenger business. Major systems changes required for statistical processing, MAIP Policy Application, and Policy Effective Year Strip.
MAIP Compliance	In Progress	Expanding the ARP and ARC Non-Compliance application to add a reports function and threshold reports. Also adding functionality to allow for the addition of attachments.